

5 Biggest Budget Myths

Myth #1:

Mississippi taxpayers don't pay enough – we need to raise taxes to fix the budget.

Tax revenue in Mississippi has increased 34% over the last 10 years, but spending has increased 50%. Tax revenue in the current fiscal year is coming in much higher than was previously estimated, and we are now told that our revenues are growing at a 5.4% rate over last year, the highest growth since 1999—nearly \$200 million more.

According to the revenue estimating committee, we will have only \$120 million more in general fund revenue in the next fiscal year than we had in the current fiscal year, an increase of only 3.4%. After reviewing tax collections over the coming weeks, this may prove to be more than just a conservative estimate for the next fiscal year, but a low one.

Myth #2:

If the MAEP formula is not fully-funded, taxes will have to be raised at the local level to make up the difference.

Local tax increases cannot be blamed on the level of MAEP funding. Districts have raised taxes every year as education funding has increased. Virtually the same number of districts raised taxes the one year the MAEP formula was fully funded than the years it was not. Only six districts have not raised taxes the last five years.

FY05	partial funded MAEP	81 districts raised taxes
FY04	fully funded MAEP	98 districts raised taxes
FY03	partial funded MAEP	94 districts raised taxes
FY02	partial funded MAEP	77 districts raised taxes
FY01	(no MAEP)	91 districts raised taxes

Myth #3:

If the MAEP formula is not fully-funded there will be massive teacher firings across Mississippi.

The State Department of Education predicted last year that “3,000 teachers” would lose their jobs if the MAEP formula was not fully funded. Education spending increased but the MAEP formula was not fully funded and there was an increase of 450 teachers in Mississippi last year. In fact, there has been an increase of 2,000 teachers in the state over the past two years.

The Governor’s budget fully funds the teacher pay raise, doubles the funding for classroom supplies, funds textbooks for the first time in years and increases classroom funding by 8.3% and MAEP funding by 4% over last year.

Myth #4:

Funding for education in Mississippi is being reduced this year.

The question during this budget debate is not whether education will be cut or not, but how big an increase it is going to get. The Legislative Budget Recommendation calls for a \$29 million increase and the Governor’s budget calls for a \$70 million increase. This year the State Department of Education has asked for a \$266 million increase over last year – and only about a third of that increase is the teacher pay raise (\$98 million).

Education spending has risen 46% over the last five years with virtually the same number of students. Interestingly, the State Department of Education has reported that, even if the MAEP formula is fully funded this year, their request for next year will be at least \$200 million over this year, an increase of 30% in two years! 15% a year increases aren’t sustainable.

Myth #5:

Raising cigarette taxes is the answer for education and Medicaid.

The House claims a cigarette tax hike would provide a “dedicated stream of revenue” for education and Medicaid. However, even with their very generous assessment of what a cigarette tax hike and other fee increases would produce, their budget comes up \$135 million short of fully funding education and Medicaid and slashes everything else – like cutting universities and community colleges by 10% in one year.

Another question the House proposal raises is this: Is the State of Mississippi for or against people smoking? If the House wants cigarette taxes to be a key revenue stream for education and Medicaid, they need people to keep smoking to keep that revenue coming to state coffers. Any reduction in smoking would cut public schools and Medicaid benefits.

Why would we pin the funding hopes of education and Medicaid on the usage of a product we want and expect to decline? Fewer people are smoking every year in Mississippi and nationwide. This is good. But the revenue Mississippi gets from cigarette taxes has declined steadily (down 7% in the five years) – and increased taxes would expedite that decline even more. The CDC reports that every 10% increase in the cost of cigarettes will decrease consumption – and, therefore, revenue to the state – by 3% - 5%.